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State, telecom industry clash over gigabit network expansion

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The state's plan to help municipalities develop ultra-high-speed Internet fiber networks is moving forward with an initial funding partner, despite objections from the business community over the public costs and competition with private enterprise.

The Office of Consumer Counsel and the city of New Haven are holding a conference on Monday at Yale University to educate municipalities on how to develop gigabit networks. At the same time, the OCC and its public partners in the gigabit initiative are working with New York City investment bank MacQuarie Capital to develop an option for cities and towns to install gigabit infrastructure using long-term, shared-risk financing.

"This is such a unique thing, it is sort of developing as it goes along," said Consumer Counsel Elin Swanson Katz. "We are trying to organize towns around a need we feel has been identified."

Katz, along with her state and local partners, sees a statewide gigabit network as an economic development tool where companies using large amounts of data can achieve ultra-high-speed Internet at a cost significantly cheaper than current market rates. The business community, particularly telecom companies, however, is wary of public efforts to develop a service private industry already offers, especially when the cost-structure still is unknown and market demand remains low.

"It is putting taxpayers at risk," said Paul Cianelli, president and CEO of the New England Cable & Telecommunications Association, which represents companies like Cox Communications, Comcast, Charter Communications, and Time Warner. "If, however, they want to create the network with some private company, we don't have a problem with that."

The plan advocated right now by the OCC, state comptroller, State Sen. Beth Bye (D-West Hartford), and West Hartford, New Haven, and Stamford develops a public-private partnership where municipalities can opt-in to lay the necessary fiber infrastructure to achieve gigabit speeds.

Initially, 46 cities and towns partnered with OCC on a request for qualifications to find a private partner in this venture, and more than 100 municipalities have expressed interest in the service, Katz said. Monday's meeting at Yale will try to determine how many municipalities are ready to actually sign onto a public-private partnership.

Business groups like NECTA and the Connecticut Business & Industry Association — along with companies like Frontier Communications — have resisted efforts to establish one statewide public organization dedicated to creating broadband networks, or all the municipalities being forced to use one vendor for fiber installation.

"We want to partner with municipalities on these projects, and in no way do we think municipalities going it alone is the right approach," said Ken Arndt, president of Frontier's east region. "We will continue to work and hopefully get some gig projects started in the state very quickly."

Cianelli said Connecticut residents and businesses can access gigabit speeds already, either by tapping into nearby

infrastructure or contracting to have the fiber built out to them.

This process is costly though, he said.

Katz estimates Connecticut businesses currently pay \$1,500-\$3,000 per month to access gigabit speeds; her goal is to reduce that price down to about \$70 per month.

Achieving that price is a major concern for groups like CBIA because they don't want taxpayer money to subsidize the service, said CBIA lobbyist Eric Brown.

A gigabit network is a lot more complicated than building a road, Brown said, and will need an organization to maintain the infrastructure after the initial installation costs are covered.

"Who is going to be on the hook for paying for that?" Brown said.

The state legislature's Government Administration & Elections Committee recently approved a bill to create a statewide Office of Broadband Advocacy at the OCC to push for gigabit speeds throughout Connecticut.

That new office would help municipalities set up the necessary public-private structure to achieve gigabit speeds, but the final decision-making still would rest with the towns, Katz said.

The 46 municipalities that partnered in the early stages of gigabit development selected MacQuarie Capital in April to develop a public-private partnership option for cities and towns because its one of the few proposals submitted in January to offer a financing option.

Under MacQuarie's proposal, the investment bank would provide capital under a 20- or 30-year agreement to install the necessary infrastructure to achieve gigabit speeds. MacQuarie would have all the liability on the debt, and municipalities would be obligated to make long-term payments for the installation and operation of the network.

To repay the debt, municipalities would contract with Internet service providers like Comcast or Frontier to use the fiber infrastructure to sign up business and residential customers for gigabit speeds, said Bill Vallee, broadband policy coordinator at the OCC.

However, if service providers don't want to use the infrastructure or don't raise enough money to meet debt payments, local taxpayers would ultimately have to foot the bill, Vallee said.

This, though, is just one option for municipalities to install the necessary infrastructure for gigabit speeds and individual towns must decide if they have enough businesses and residents to make such an investment worthwhile, said Bye, the state senator.

"Right now, cities and towns are doing economic impact studies," Bye said.

Monday's Yale conference will feature speakers from the Federal Communications Commission, the U.S. Chamber of Commerce, and a national communications law firm to help cities figure out if a gigabit network is suited for them and what pricing model they should pursue, Bye said.

"It is obviously better if we figure out a few cities to try it out initially," Bye said.

Connecticut is fortunate because its regulatory structure is favorable to the kind of partnership MacQuarie envisions, Bye said. In particular, Connecticut allows municipalities to use part of utility poles for infrastructure like fiber, and pole owners are required to make space for new wires under uniform pricing, so the state can avoid the fights over utility pole use that have hindered telecom advancement in other states.

While the need for faster Internet speeds is growing, Cianelli warned that more web data is being processed by wireless networks. With WiFi technology advancing, towns might not want to develop their fiber infrastructure, he said.

Katz, though, said many high-tech businesses need ultra-high-speed Internet now and more will in the future.